

Competitive Intelligence

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Competitive intelligence is the process of monitoring the competitive environment. It enables senior managers in companies of all sizes to make informed decisions about everything from marketing, R&D, and investing tactics to long-term business strategies. Effective Competitive intelligence (CI) is a continuous process involving the legal and ethical collection of information, analysis that doesn't avoid unwelcome conclusions, and controlled dissemination of actionable intelligence to decision makers.¹

Competitive intelligence (also often referred to as "business intelligence") is a key discipline in business marketing and strategy with emphasis on information content as well as information technology. It's both a product and a process²:

- The product is actionable information - information used as the basis for a specific action (e.g. acquiring another company).
- The process is the systematic acquisition, analysis, and evaluation of information about known and potential competitors.

Getting the information on your competitors is not only legal but it's also the best way there is to stay on top. Competitive intelligence is thus simply keeping track of your competitors. A good definition is: *"Competitive intelligence is defined as systematic collection of information and analysis of information regarding competitors, with the aim of improving competitive position of your firm"*.

Competitive Intelligence is *"the most powerful business tool of the 21st Century, a tool that will aid decision-makers, within all industries in an ever increasingly competitive market. It can be utilised for both offensive and defensive purposes"*³.



Competitive Intelligence Magazine (published by Scip.Org) is a bi-monthly source for news and "how to" advice regarding the practice of Competitive Intelligence. For details, visit www.scip.org

Competitive Intelligence and the Small Business Owner

Why Gather Competitive Intelligence?

There are many reasons why you might want to gather competitive intelligence about your competitors. Competitive intelligence gives you hard facts on which to base decisions about marketing tactics, R&D investments, product launches and overall business strategy. Effective gathering of competitive intelligence can easily be done using legal and ethical sources of information. If you don't know what your competitors are up to, the chances are that they'll win and you'll lose in the battle to gain and keep customers.

Gathering intelligence on competitors should be an essential part of your business planning and directly impact on all of your business strategy.

If you're interested (you should be) in your competition, you need to acquire a wide range of information in a legal and systematic way. By examination and comparative evaluation, you'll gain a clearer picture of the capabilities, structure, culture, behaviour, and weaknesses of your competitors.

Two Kinds of Information

Competitive intelligence relies on two kinds of information: interviews and published literature. "Interviews" includes surveys, and other discussions by which information is obtained. "Published Literature" includes any published data in paper or electronic form, whether via a library, over the Internet or by other means.

The Objective

Competitive intelligence is a combination of processes the objective of which is to arm yourself with usable knowledge. Whilst important, just monitoring your competitors and your external business environment isn't enough. What is important is how you analyse that information and how that analysis determines your decision-making and strategic processes.

"If you don't have a competitive advantage, don't compete."

Jack Welsh, Former CEO, GE

Small Business Owners Can Do It

How can a small business owner possibly hope to keep up with his/her competitors if he/she can't keep an eye on them? It is said that today, business moves fast but maybe it always did. It is today's communication systems that enable people to discover things and act on them far more quickly than ever before. Product cycles are measured in months, not years. That's why competitive intelligence is so important. This isn't industrial espionage or snooping unfairly on competitors but, in the words of Gina Imperato⁴, *"New approaches to good old-fashioned business dish: a heads-up on a new product, information on a rival's cost structure, a read on an ally's changing strategy. Thanks to the Internet, you can acquire more information faster than ever. It offers a remarkably wide variety of sources: content-rich Web sites, fast-as-lightning news services, online job postings, brutally honest discussion groups."*

Of all the many components of business success, one of the most important is current, reliable and readily accessible information about your markets, your competitors, your customers and your suppliers. Good competitive intelligence must be high quality, timely, and reveal details that help create a competitive edge. A decade ago, the challenge for a small business owner was to discover the information he/she needed to make the best business decisions - today a business owner has the added challenge of sifting through the tide of information that threatens to overwhelm, in order to discard the irrelevant and discover what's relevant.

Competitive intelligence looks not only at what the competition is doing or planning to do but also at the market environment in which a business and its competition operate. The connection of both the intentions of the business with its market environment allows decision-makers to make informed decisions regarding the future.

An Example of Competitive Intelligence

Nathan Meyer Rothschild (1777-1836) was a British banker, born in Frankfurt, Germany, to the famous Rothschild family. He came to England in 1797 and was naturalized in 1804. He opened a business house in London in 1805 and acted as agent of the British government in supplying subsidies to the powers opposing Napoleon I and was of vital help in the defeat of the French emperor.

Aside from his financial acumen, Rothschild had a very efficient information service. Using carrier pigeons he learned of the British exploits against the French at Waterloo. In June 1815, whilst the decisive battle was still in progress, he sold a massive amount of government securities knowing that everybody who saw him doing so would assume that the battle had been lost, and they would sell their holdings as well. He was right - other traders liquidated their holding and the stock price plummeted. When the price bottomed out, Rothschild began buying up every piece of stock that became available, and, in a single day, made a fortune and saved the London stock exchange from collapse by buying up all the shares sold by frightened investors.

In addition to his network of carrier pigeons, he used riders and ships to carry news quickly over long distances. The technology used by Rothschild had been around for some 2,000 years but his real skill was not so much in deploying it but knowing how to use it to his advantage.



Questions for the Small Business Owner

See if these apply to you and your business:

1. When you develop a new product or service, do you think about whether your competitors might enter the market with a similar product either just days before you do or directly in response to your initiative?
2. Are you open to change and innovation or do you stick too long with existing products and services, which are out-of-date, and out of line with what the market is dictating?

3. How well do you make business decisions?
4. Would you make better decisions if you could gaze at a crystal ball and see into the future?
5. Do you know the important things about your market and where it's going?

Internal or External Systems?

After recognising the need for competitive intelligence, a business owner's first decision is a make or purchase decision - should the business have an internal system or should it purchase the services from a third-party consultancy?

The advantages of using a third-party are the outside expert's expertise and economies of scale. The experts may specialise in a certain competitive intelligence environment resulting in faster and more reliable information at an effective cost.

The disadvantages of buying competitive intelligence from outside is that it loses its value as a source of competitive advantage because:

- It lacks a degree of responsiveness;
- It is often generic; and
- It is not scarce (usually, other businesses can buy the same competitive intelligence) if they come up with the money.

The internal competitive intelligence systems can be an informal or formal system:

- Informal competitive intelligence systems usually have no structure on scope, timescales, focus of threats/opportunities, or management's prime source of competitive intelligence. This is something that's left up to discretion of the individual manager - the manager's sources of competitive intelligence are mostly external to the organisation.
- The formal competitive intelligence system involves, inter alia, formal and structured analysis of the competitive intelligence needs of the business and its objectives.

Tactics to Gather Competitive Intelligence

With competitive intelligence, it isn't the amount of money you throw in as a resource, but the right approach that matters. The Academy of Competitive Intelligence say that 90% of the managers who were asked within the past 5 years to start a CI programme:

- Had only a minimal or no background in competitive intelligence.
- Had to scramble to find answers and recipes and training.
- Needed comprehensive help

Business owners shouldn't think that gathering competitive intelligence is achieved through spying and espionage. There are much smarter ways that are perfectly legal - and they don't include lying, cheating, breaking and entering, stealing or going through the rubbish bins at your competitors' offices.

Competitive Intelligence means going out and collecting information about your business environment as well as on your competition. Then you have to turn this information into something you can use to run your business smarter. You gain competitive intelligence from a thorough review of public records for gems of hidden information and via keen observation and listening - all geared toward predicting the future plans of competitors and customers by understanding their current and predicted behaviour.

To be effective in gathering information, you need multiple sources to provide a total picture and corroboration. Look to business directories, government filings, industry experts and analysts. Think about customers, market reports, local newspapers and libraries, suppliers and vendors. Don't forget the Internet - it's a rich source of information and much of it is free.

So, just how do you collect the information you need on your competitors? There are several ways such as:

- Buying a competitor's product - touch it, feel it, see how you were dealt with as a customer etc.

"The goal of your analysis of information is to provide focus. You cannot do everything. You cannot be everywhere. Proper focus allows you to allocate resources effectively to develop promising opportunities or to counter dangerous threats."

*Miyamoto Musashi,
Book of Five Rings*

- Recruiting employees from competitors - but be careful that they don't breach any terms of confidentiality they may have signed before joining you.
- Visiting a competitor's stand at trade shows, exhibitions and conferences.
- Talking to their suppliers and other customers.
- Subscribing to your competitors' mailing lists - one of the cheapest ways to find out what your competitors are up to.
- Using the Internet - as a competitive intelligence resource, the Internet serves both as additional source of information and a cost-effective way to share and disseminate information to decision-makers.
- Using other publicly available data - including scanning newspaper and magazine articles.

Once you've gathered the information, analyse it. Consider benchmarking, statistical analysis, pricing models, and trend analysis. If you want help on these methods, call us and we'll show you how to do it.

After you've transformed the data into information, the last step is to change the information into knowledge - something you can use (just as Nathan Meyer Rothschild did with his carrier pigeons - see page 2)

Some of the questions you might like to consider are:

- What opportunities are available based on the information?
- What do these opportunities mean to you and your business?
- How do you exploit these opportunities?
- What further information do you need?
- What do you need to be wary of?
- Are your competitors all going one way whilst you're travelling the opposite way? If so, why? Do they know something that you don't know?
- Is there conflicting data and what does that mean to you?

What Competitive Intelligence Is... and Is Not!

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Fuld & Company is an international leader and pioneer in the field of competitive intelligence. The firm has affiliates throughout the world. Their client roster includes over half the Fortune 500.

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What Competitive Intelligence Is and Is Not!

By Leonard M. Fuld President, Fuld & Company, Inc.

"The past 20 years have amazed me. Despite having trained thousands of executives in competitive intelligence and delivered over 3,000 competitive intelligence assignments to corporations around the globe, I have found that many business people still misunderstand what intelligence is and what it is not.

Below you will find ten of each: Ten descriptions of what intelligence is and does for a corporation, and ten common misconceptions that I would like to dispel."

	Competitive Intelligence Is ...	Competitive Intelligence Is Not ...
1	Information that has been analysed to the point where you can make a decision.	Spying. Spying implies illegal or unethical activities. While spying does take place, it is a rare activity. Think about it; corporations do not want to find themselves in court, nor do they want to upset shareholders. For the most part, you will find spies in espionage novels, not in the executive suite.
2	A tool to alert management to early warning of both threats and opportunities.	A crystal ball. There is no such thing as a true forecasting tool. Intelligence does give corporations good approximations of reality, near- and long-term. It does not predict the future.
3	A means to deliver reasonable assessments. Competitive intelligence offers approximations and best views of the market and the competition. It is not a peek at the rival's financial books. Reasonable assessments are what modern entrepreneurs such as Richard Branson, Bill Gates, and Michael Dell need, want, and use on a regular basis. They don't expect every detail, just the best assessment at the time.	Database search. Databases offer just that — data. Of course it is wonderful to have these remarkable tools. Nevertheless, databases do not massage or analyze the data. They certainly do not replace human beings who need to make decisions by examining the data and applying their common sense, experience, analytical tools, and intuition.
4	Comes in many flavours. Competitive intelligence can mean many things to many people. A research scientist sees it as a heads-up on a competitor's new R&D initiatives. A salesperson considers it insight on how his or her company should bid against another firm in order to win a contract. A senior manager believes intelligence to be a long-term view on a marketplace and its rivals. See our Strategic Intelligence Organizer tool on fuld.com for examples of the many flavours of competitive intelligence and tips on how to develop it.	The Internet or rumour chasing. The Net is primarily a communications vehicle, not a deliverer of intelligence. You can find hints at competitive strategy, but you will also uncover rumours disguised as fact, or speculation dressed up as reality. Be wary of how you use or misuse the Net. Its reach is great, but you need to sift, sort, and be selective on its content.
5	A way for companies to improve their bottom line. Companies, such as NutraSweet, have attributed many millions of dollars in earned revenue to their intelligence usage. See our CI Success Stories on fuld.com for over 100 excerpts telling how companies have used CI successfully.	Paper. Paper is the death of good intelligence. Think face-to-face discussion or a quick phone call if you can, rather than paper delivery. Never equate paper with competitive intelligence. Yes, you must have a way to convey critical intelligence. Unfortunately, many managers think that by spending countless hours on computer-generated slides, charts and graphs, and footnoted reports, they have delivered intelligence. All they have managed to do is to slow down the delivery of critical intelligence. In the process, they have likely hidden the intelligence by over-analysing it. Remember: Paper cannot argue a point — you can.

Competitive Intelligence

	Competitive Intelligence Is ...	Competitive Intelligence Is Not ...
6	A way of life, a process. If a company uses CI correctly, it becomes a way of life for everyone in the corporation — not just the strategic planning or marketing staff. It is a process by which critical information is available for anyone who needs it. That process might be helped by computerization, but its success rests upon the people and their ability to use it.	A job for one, smart person. A CEO might appoint one individual to oversee the CI process, but that one person cannot do it all. At best, the CI Ringmaster, the coordinator of the program, keeps management informed and ensures that others in the organization become trained in ways to apply this tool within each of their SBUs.
7	Part of all best-in-class companies. In my 20 years of consulting in this arena, I have witnessed that high-quality, best-in-class corporations apply competitive intelligence consistently. The Malcolm Baldrige Quality Award, the most prestigious total quality award for American corporations, includes the gathering and use of external market information (a.k.a. CI) as one of its winning qualifications.	An invention of the 20th century. CI has been around as long as business itself. It may have operated under a different name, or under no name at all, but it was always present. Just review the story surrounding 19th century British financier Nathan Rothschild, who managed to corner the market on British government securities by receiving early warning of Napoleon's defeat at Waterloo. He used carrier pigeons, the E-mail of his day. He knew the information to watch and how to make sense of it; in the end, he used this intelligence to make a killing in the market.
8	Directed from the executive suite. The best-in-class intelligence efforts receive their direction and impetus from the CEO. While the CEO may not run the program, he dedicates budget and personnel; most important, he promotes its use.	Software. Software does not in and of itself yield intelligence. The CI market is hot, and numerous software houses are producing products for the intelligence marketplace. Many more are repositioning existing software — in particular, data warehousing and data mining packages — for use in intelligence. Software has become an important weapon in the CI arsenal, but it does not truly analyze. It collects, contrasts, and compares. True analysis is a process of people reviewing and making sense of the information.
9	Seeing outside yourself. Companies that successfully apply competitive intelligence gain an ability to see outside themselves. CI pushes the not-invented-here syndrome out the window.	A news story. Newspaper or television reports are very broad and are not timely enough for managers concerned with specific competitors and competitive issues. If a manager first learns of an industry event from a newspaper or magazine report, chances are others in the industry already learned of the news through other channels. While media reports may yield interesting sources for the CI analyst to interview, they are not always the most timely, or specific enough for critical business decisions.
10	Both short- and long-term. A company can use intelligence for many immediate decisions, such as how to price a product or place an advertisement. At the same time, you can use the same set of data to decide on long-term product development or market positioning.	A spreadsheet. "If it's not a number, it's not intelligence." This is an unspoken, but often thought of, refrain among managers. "If you can't multiply it, then it is not valid." Intelligence comes in many forms, only one of which is a spreadsheet or some quantifiable result. My firm has completed numerous strategic assessments, where the numbers only address one aspect of the problem. Management thinking, marketing strategy, and ability to innovate are only three among a host of issues that rely on a wide range of subjective, non-numeric intelligence

Recommended Reading

You may find the following books useful in adding to your knowledge about competitive intelligence:



- Competitive Intelligence: How to Gather, Analyze, and Use Information to Move Your Business to the Top, by Larry Kahaner, published by Touchstone Books, ISBN: 0684844044.
- Online Competitive Intelligence: Increase Your Profits Using Cyber-Intelligence, by Helen Burwell, (and Carl R. Ernst and Michael Sankey), published by Facts on Demand Press, ISBN: 1889150088.
- Millennium Intelligence: Understanding and Conducting Competitive Intelligence in the Digital Age, by Jerry P. Miller, published by Information Today Inc, ISBN: 0910965285.
- The WarRoom Guide to Competitive Intelligence, by Steven M. Shaker, Mark P. Gembicki, published by McGraw-Hill, ISBN: 007058057X.
- The New Competitor Intelligence: The Complete Resource for Finding, Analyzing, and Using Information about Your Competitors, by Leonard M. Fuld, published by John Wiley & Sons, ISBN: 0471585092.
- CI Boot Camp, by Robert L. Linville, published by Society of Competitor Intelligence Professionals, ISBN: 0962124176.
- Competitors: Outwitting, Outmanoeuvring, and outperforming, by Liam Fahey, published by John Wiley & Sons, ISBN: 0471295620.
- Measuring the Effectiveness of Competitive Intelligence: Assessing & Communicating CI's Value to Your Organization, by Jan P. Herring, published by Society of Competitive Intelligence Professionals, ISBN: 0962124125.

- Competitive Intelligence: A Guide to Your Organization's Survival, by Michelle and Curtis Cook, published by Kogan Page Ltd., ISBN: 0749433124.
- The Complete Guide to Competitive Intelligence, by Kirk W.M. Tyson, published by Kirk Tyson International, ISBN: 0966321901.
- Business Intelligence With Cold Fusion, by John W. Gosney, Christine M. Mears, published by Prima Publishing, ISBN: 0761528431.
- Competitive Intelligence for the Competitive Edge, by Alan Dutka published by NTC Business Books, ISBN: 0844202932.
- Competitive Intelligence: Scanning the Global Environment, by Yolaine de Linares, Robert Salmon, published by Economica, ISBN: 1902282043.
- Competitor Intelligence - Strategy, Tools and Techniques for Competitive Advantage, by Andrew Pollard, published by Financial Times - Prentice Hall Publishing, ISBN: 0273637096.

Other Resources

Visit the following sites for specialised competitive intelligence resources:

- Factiva - Customised business and news resources at www.factiva.com
- Dialog - Find a wide range of online research and reports at: www.dialog.com
- Intelligence Software Report - Fuld & Co's comprehensive report on CI systems at: www.fuld.com
- Competitive Intelligence Resource Index - Masses of CI services, databases, publications and services links at: www.bidigital.com/ci/

Other websites worth visiting for resources online on competitive intelligence are:

- www.researchinfo.com - Research Info
- www.mra-net.org - Marketing Research Association
- www.scip.org - Society of Competitive Intelligence Professionals

Further Information

A good place to start in discovering more about competitive intelligence is to take a web tour at the Fuld Intelligence Index at: www.fuld.com

And, if that isn't enough, you'll find access to several articles on competitive intelligence at The Business Publications Search Engine, the web address for which is: www.bpubs.com/Management_Science/Competitive_Intelligence/more3.html

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

References:

¹ This quote is from The Society of Competitive Intelligence Professionals (SCIP), an organisation dedicated to helping professionals develop expertise in creating, collecting, and analysing information; disseminating competitive intelligence; and engaging decision-makers in a productive dialogue that creates organizational competitive advantage. Visit them at: www.scip.org

² This is attributed to Jean L. Graef, The Montague Institute, an information proficiency training and consulting firm located in Montague, MA, USA. She can be reached by E-mail at jgraef@montague.com or via www.montague.com

³ Attributed to Open Door Consulting, a UK-based CI consultancy. They can be contacted at: Email at info@opendoorconsulting.com

⁴ See "Competitive Intelligence - Get Smart!" by Gina Imperato, in FastCompany, issue 14, page 269.

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